

HASLETT PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required and supplementary and additional information)
YEAR ENDED JUNE 30, 2004

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Haslett Public Schools
Haslett, Michigan

August 5, 2004

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Haslett Public Schools, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Haslett Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Haslett Public Schools as of June 30, 2004 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2004, on our consideration of Haslett Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of Education
Haslett Public Schools

August 5, 2004

The management's discussion and analysis and budgetary comparison information on pages vi through xiii and 24, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Haslett Public Schools' basic financial statements. The additional information on pages 25 to 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mamer, Costeniser & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the 2003-04 fiscal year, the District continued to present Governmental Accounting Standards Board (GASB) Statement #34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. This section of the Haslett Public School's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2004.

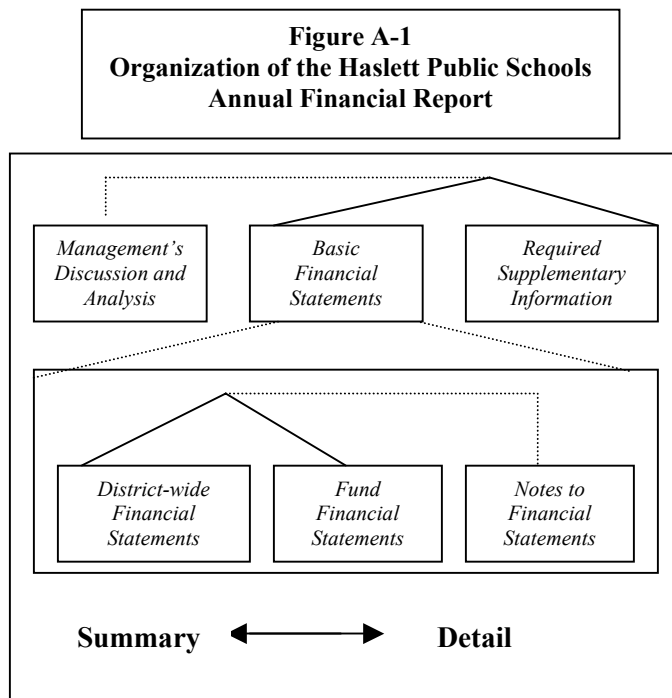
FINANCIAL HIGHLIGHTS

- Revenues increased 1.7 percent to \$30.5 million. Expenses increased 83.0 percent to \$61.1 million, mainly due to expenses from the 2001 bond issue and the refinancing of the debt in the School Bond Loan Fund.
- General Fund revenues were \$24.9 million, \$590,000 more than General Fund expenditures and transfers.
- State Aid was reduced mid-year by \$74 per student or 1.0%. State Aid dollars decreased by \$217,000.
- The District's fall student count held steady at 2,932 pupils, a decrease of 7 students over last year.
- The District participates in the School Bond Loan Fund, which allows districts to maintain level debt millages throughout the life of a bond issue. This feature of the SBLF can, however, create a net deficit in the District wide financial statements in the short term, with future debt millages restoring the net assets of the District once the bonded debt is reduced. The District reduced its outstanding long-term debt \$720,000, or 1.0 percent.
- The total taxable value of property in the District increased 7.5 percent. The five-year average for taxable value increases remains strong at 7.7 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-Wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> * Statement of net assets * Statement of activities 	<ul style="list-style-type: none"> * Balance sheet * Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> * Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Haslett Public School's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Overtime, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets (deficit) – The District’s *combined* net deficit improved by \$1,560,095 during the year. The combined net deficit was less on June 30, 2004, than the year before, decreasing from (\$12.6) million to (\$11.0) million.

The District’s net deficit results from participating for many years in the School Bond Loan Fund (SBLF) program. This program allows districts to levy the same debt service property tax millage rate over the life of a bond issue. During the early years of participation in the SBLF, the property tax levy is less than is required for debt service and districts in the program borrow from the SBLF to make up the difference. During the later years of participation, the property tax levy remains level and is greater than is required for debt service. Districts use the excess to pay back the SBLF. It is projected that the District will begin repaying the SBLF in 2006-07 and over the subsequent years will eliminate the District’s deficit. The District has been in the SBLF for 35 years. It is important to note that the Board of Education has full authority to levy the necessary taxes to meet bond issue debt service requirements.

Debt Levy

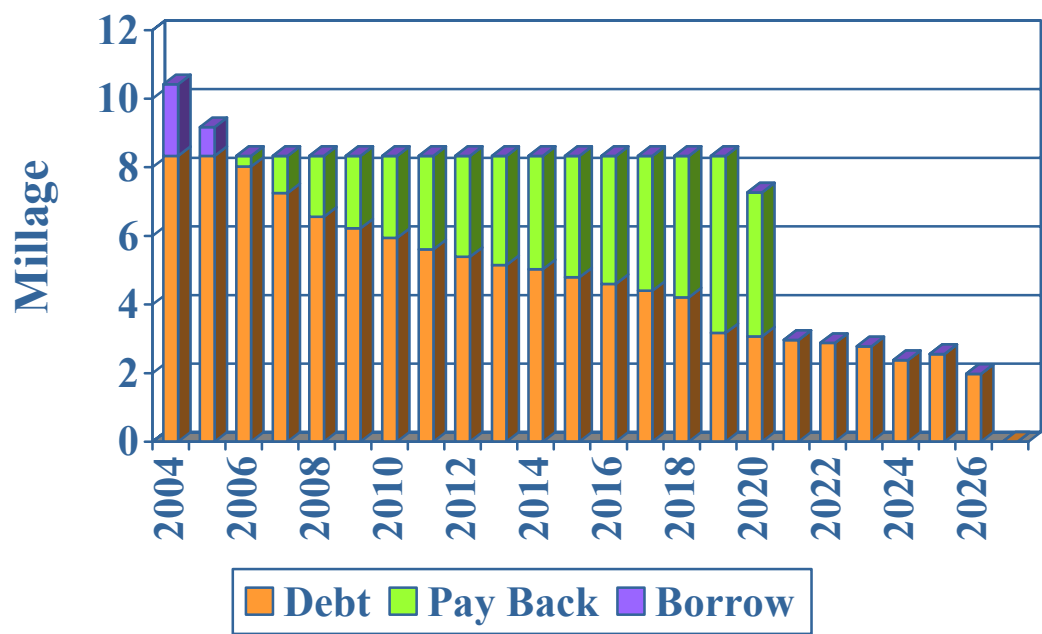


Table A-3
Haslett Public Schools' Net Assets

	2004	2003
Current and other assets	\$ 20,889,314	\$ 32,086,741
Capital assets, net of depreciation	48,740,256	36,618,019
Total assets	69,629,570	68,704,760
Current liabilities	10,859,737	10,550,159
Long-term debt outstanding	68,987,484	69,851,247
Other long-term liabilities	820,315	901,415
Total liabilities	80,667,536	81,302,821
Net assets (deficit):		
Invested in capital assets, net of related debt	(13,255,640)	(13,453,358)
Restricted	848,175	508,448
Unrestricted	1,369,499	346,849
Total net assets (deficit)	\$ (11,037,966)	\$ (12,598,061)

Table A-4
Haslett Public Schools'
Changes in Net Assets

	2004	2003
Revenues:		
Program revenues:		
Charges for services	\$ 1,565,527	\$ 1,401,383
Federal and state categorical grants	1,403,037	1,468,629
General revenues:		
Property taxes	5,774,369	5,386,140
State aid - unrestricted	18,592,905	18,704,037
Other	3,210,684	2,989,140
Total revenues	30,546,522	29,949,329
Expenses:		
Instruction	12,557,131	14,002,019
Support services	9,261,366	8,491,531
Community services	461,836	445,994
Outgoing transfers and other transactions	985,702	770,677
Food services	826,497	807,749
Athletics	574,170	600,921
Interest on long-term debt	3,173,136	3,391,015
Unallocated depreciation	1,146,589	1,134,672
Total expenses	28,986,427	29,644,578
Increase in net assets	\$ 1,560,095	\$ 304,751

District Governmental Activities

The District seeks a balance between maximizing resources for the education of our students and maintaining the long-term financial health of the District. The governmental activities mirror that goal. Our support services seek to be efficient at providing the necessary safe, orderly, and positive learning environment so that more dollars are available for the direct instruction of students. Our before-and-after-care program, Kids Connection, and our school breakfast and lunch program seek to be self-supporting and cost effective.

- The state cut the per pupil foundation allowance mid-year \$74 to \$6,784.
- Food Service operated at a deficit of \$6,816 on revenues of \$819,682.
- Kids Connection operated at a net profit of \$38,734 on revenues of \$497,461.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported *combined* fund balances of \$13.3 million, including \$9.8 million in the 2001 Bond Issue Capital Projects Fund.

The General Fund's fund balance increased \$590,000 to \$2.5 million.

For bond issues, the fund balance increases when the bonds are sold, and the fund balance decreases when construction expenses are incurred. The fund balance for the 2001 Bond Issue Capital Projects Fund decreased \$12.5 million to \$9.8 million as construction continued during the current fiscal year.

General Fund Budgetary Highlights

The District is required to adopt an operating budget prior to the start of the fiscal year. Certain information is not known at the time of budget adoption, such as the amount of state aid, the actual number of students and the cost of employee contracts, and must be estimated or projected. Over the course of the budget year, the District revises the annual operating budget several times. For fiscal year 2003-04, these budget amendments included:

- Changes adopted in the second and fourth quarters of the fiscal year to account for final enrollment counts, changes in assumptions since the original budget was adopted, and a mid-year negative state aid appropriation by the governor.

The District historically enjoys a favorable budget variance that has averaged 2.53 percent of budgeted expenditures over recent years. The District budgeted a 1.65 percent favorable budget variance for 2003-04.

While the District's final budget for the general fund, net of the favorable budget variance, anticipated that revenues would exceed expenditures by \$166,000, the actual results for the year show a \$590,000 surplus.

- Actual revenues were \$191,000 lower than budgeted, due largely to restricted grant revenues not being fully spent by year end.
- The actual expenditures were \$498,000 below budget. The variance in excess of the anticipated \$410,000 was due primarily to normal anticipated budget variances.
 - Actual expenditures for support services were more than \$502,000 below budgeted levels, including maintenance savings of \$91,000.
 - Actual expenditures for restricted grants, as mentioned above, were \$191,000 below budgeted levels.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2004, the District had invested almost \$63 million in a broad range of capital assets, including school buildings, athletic and support facilities, computer and transportation equipment. This amount represents a net increase of \$13 million from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year exceeded \$1.1 million.

Table A-5 Haslett Public Schools' Capital Assets				
	2004			Net book value 2003
	Cost	Accumulated depreciation	Net book value	
Land	\$ 330,000	\$	\$ 330,000	\$ 330,000
Construction in progress	18,792,978		18,792,978	6,355,550
Buildings and additions	36,807,580	9,941,535	26,866,045	27,518,531
Equipment and furniture	7,158,276	4,407,043	2,751,233	2,413,938
Total	<u>\$ 63,088,834</u>	<u>\$ 14,348,578</u>	<u>\$ 48,740,256</u>	<u>\$ 36,618,019</u>

The District's fiscal year 2004-05 capital budget anticipates continued spending for 2001 bond issue projects.

Long-term Debt

At year-end the District had \$72.7 million in general obligation bonds and other long-term debt outstanding – a net reduction of 1.0 percent from last year. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

- The District continued to pay down its debt, retiring \$2.8 million of outstanding bonds.

Table A-6 Haslett Public Schools' Outstanding Long-term Debt <i>(in millions of dollars)</i>			
	2004	2003	
General obligation debts			
(financed with property taxes)	\$ 71.8	\$ 72.3	
Other	0.9	1.1	
Total	<u>\$ 72.7</u>	<u>\$ 73.4</u>	

- The District borrowed 1.8 million from the School Bond Loan Fund during 2003-04. It also refinanced \$17.1 million of this debt during 2003-04. This leaves an outstanding balance of \$2.2 million at year-end.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of three existing circumstances that could significantly affect its financial health in the future:

- August 2005 marks the expiration of contracts for all employee groups. Negotiations for these groups will begin in the spring of 2005. Increasing costs in health insurance, retirement and other budgetary items, along with an uncertain economic outlook for the State of Michigan, should prove to make these negotiations financially challenging for the District.
- The District is a plaintiff with other school districts in a lawsuit against the State, seeking to rectify inequities in the formula the State uses to apportion special education aid to the districts.
- Uncertain economic times for the State of Michigan could again cause the State to make mid-year pro-rations to the basic foundation allowance. Mid-year adjustments to the 2004-05 budget would need to be made in order to keep the existing budget in balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Haslett Public Schools, 5593 Franklin Street, Haslett, Michigan 48840.

**HASLETT PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2004**

	Governmental activities
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 711,380
Investments	16,194,411
Receivables:	
Other governmental units	3,669,698
Taxes	47,239
Other	136,217
Inventories	51,953
Prepaid expenditures	78,416
TOTAL CURRENT ASSETS	20,889,314
NONCURRENT ASSETS:	
Capital assets	63,088,834
Less accumulated depreciation	(14,348,578)
TOTAL NONCURRENT ASSETS	48,740,256
TOTAL ASSETS	\$ 69,629,570
LIABILITIES AND NET ASSETS (DEFICIT)	
CURRENT LIABILITIES:	
Accounts payable	\$ 3,134,141
Accrued interest	541,564
Accrued salaries and related items	2,163,696
Deferred revenue	238,795
Note payable	1,900,000
Current portion of long-term obligations	2,807,000
Current portion of compensated absences	74,541
TOTAL CURRENT LIABILITIES	10,859,737
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	68,987,484
Noncurrent compensated absences	820,315
TOTAL NONCURRENT LIABILITIES	69,807,799
TOTAL LIABILITIES	80,667,536
NET ASSETS (DEFICIT):	
Invested in capital assets, net of related debt	(13,255,640)
Restricted - capital projects (sinking fund)	848,175
Unrestricted	1,369,499
TOTAL NET ASSETS (DEFICIT)	(11,037,966)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 69,629,570

See notes to financial statements.

**HASLETT PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 12,557,131	\$ 293,256	\$ 873,771	\$ (11,390,104)
Support services	9,261,366	9,360	338,868	(8,913,138)
Outgoing transfers and other transactions	985,702			(985,702)
Community services	461,836	501,140		39,304
Food services	826,497	618,384	190,398	(17,715)
Athletics	574,170	143,387		(430,783)
Interest on long-term debt	3,173,136			(3,173,136)
Unallocated depreciation	1,146,589			(1,146,589)
Total governmental activities	<u>\$ 28,986,427</u>	<u>\$ 1,565,527</u>	<u>\$ 1,403,037</u>	<u>(26,017,863)</u>
General revenues:				
Property taxes, levied for general purposes				1,723,742
Property taxes, levied for debt service				3,688,917
Property taxes, levied for sinking fund				361,710
Investment earnings				494,997
State sources				18,592,905
Ingham ISD special education allocation				2,384,175
Other				331,512
Total general revenues				<u>27,577,958</u>
CHANGE IN NET ASSETS				1,560,095
NET ASSETS (DEFICIT), beginning of year				<u>(12,598,061)</u>
NET ASSETS (DEFICIT), end of year				<u>\$ (11,037,966)</u>

See notes to financial statements.

**HASLETT PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	General fund	Debt Service 2003 SBLF	Capital projects 2001 bond fund	Other nonmajor governmental funds	Total governmental funds
ASSETS					
ASSETS:					
Cash	\$ 391,000	\$ 1,492	\$ 159,898	\$ 158,990	\$ 711,380
Investments	3,230,729		12,120,713	842,969	16,194,411
Receivables:					
Other governmental units	3,612,909			5,630	3,618,539
Other	37,664		98,553		136,217
Due from other funds				18,118	18,118
Inventories	44,403			7,550	51,953
Prepaid expenditures	78,416				78,416
TOTAL ASSETS	<u>\$ 7,395,121</u>	<u>\$ 1,492</u>	<u>\$ 12,379,164</u>	<u>\$ 1,033,257</u>	<u>\$ 20,809,034</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 122,316		\$ 2,580,576	\$ 299	\$ 2,703,191
Accrued interest	16,851				16,851
Accrued salaries and related items	2,142,188			21,508	2,163,696
Deferred revenue	232,237			6,558	238,795
Due to other funds	18,118				18,118
Due to student groups	430,950				430,950
Note payable	1,900,000				1,900,000
TOTAL LIABILITIES	<u>4,862,660</u>		<u>2,580,576</u>	<u>28,365</u>	<u>7,471,601</u>

	General fund	Debt Service 2003 SBLF	Capital projects 2001 bond fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:					
Reserved for debt service	\$	\$ 1,492	\$	\$ 153,784	\$ 155,276
Reserved for prepaid expenditures	78,416				78,416
Reserved for inventory	44,403				44,403
Designated for subsequent year's expenditures	499,751		9,798,588	850,176	11,148,515
Undesignated	1,909,891			932	1,910,823
TOTAL FUND BALANCES	2,532,461	1,492	9,798,588	1,004,892	13,337,433
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,395,121</u>	<u>\$ 1,492</u>	<u>\$ 12,379,164</u>	<u>\$ 1,033,257</u>	<u>\$ 20,809,034</u>
TOTAL GOVERNMENTAL FUND BALANCES					\$ 13,337,433
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds					
The cost of the capital assets is				\$ 63,088,834	
Accumulated depreciation is				<u>(14,348,578)</u>	
					48,740,256
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds payable					(71,794,484)
Compensated absences					(894,856)
Accrued interest is not included as a liability in government funds, it is recorded when paid					(524,713)
Deferred revenue expected to be collected after September 1, 2004:					
IISD					51,159
Property taxes at 6/30/04					<u>47,239</u>
Net assets (deficit) of governmental activities					<u><u>\$ (11,037,966)</u></u>

See notes to financial statements.

HASLETT PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General fund	Debt Service 2003 SBLF	Capital projects 2001 bond fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:					
Local sources:					
Property taxes	\$ 1,691,912	\$	\$	\$ 4,050,615	\$ 5,742,527
Community services and tuition	738,039				738,039
Investment income	29,573	1	452,068	13,355	494,997
Other	331,012		126,091	796,422	1,253,525
Total local sources	2,790,536	1	578,159	4,860,392	8,229,088
State sources	19,217,524			30,748	19,248,272
Federal sources	616,117			163,119	779,236
Incoming transfers and other transactions	2,250,426				2,250,426
Total revenues	24,874,603	1	578,159	5,054,259	30,507,022
EXPENDITURES:					
Current:					
Instruction:					
Basic programs	10,700,220				10,700,220
Added needs	1,666,023				1,666,023
Adult and community education	689,663				689,663
Total instruction	13,055,906				13,055,906
Support services:					
Pupil	1,847,030				1,847,030
Instructional staff	1,201,178				1,201,178
General administration	1,101,860				1,101,860
School administration	1,522,958				1,522,958
Business	3,669,864				3,669,864
Total support services	9,342,890				9,342,890

	General fund	Debt Service 2003 SBLF	Capital projects 2001 bond fund	Other nonmajor governmental funds	Total governmental funds
EXPENDITURES (Concluded):					
Current (Concluded):					
Athletics	\$	\$	\$	\$ 574,170	\$ 574,170
Community services	461,836				461,836
Food service				826,497	826,497
Outgoing transfers and other transactions	985,702				985,702
Capital outlay			13,132,440	27,237	13,159,677
Debt service:					
Principal retirement		13,539,011		2,575,000	16,114,011
Interest and fiscal charges		4,173,278		2,457,930	6,631,208
Total expenditures	23,846,334	17,712,289	13,132,440	6,460,834	61,151,897
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,028,269	(17,712,288)	(12,554,281)	(1,406,575)	(30,644,875)
OTHER FINANCING SOURCES (USES):					
Proceeds from refunding debt		17,160,780			17,160,780
Proceeds from school bond loan fund		553,000		1,280,000	1,833,000
Operating transfers in				438,213	438,213
Operating transfers out	(438,213)				(438,213)
Total other financing sources (uses)	(438,213)	17,713,780		1,718,213	18,993,780
NET CHANGE IN FUND BALANCES	590,056	1,492	(12,554,281)	311,638	(11,651,095)
FUND BALANCES:					
Beginning of year	1,942,405		22,352,869	693,254	24,988,528
End of year	\$ 2,532,461	\$ 1,492	\$ 9,798,588	\$ 1,004,892	\$ 13,337,433

See notes to financial statements.

HASLETT PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Net change in fund balances total governmental funds **\$ (11,651,095)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities.

These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(1,146,589)
Capital outlay	13,270,775
Proceeds from assets sold	(1,092)
Loss on sale of capital assets	(856)

Accrued interest on bonds is recorded in the statement of activities

when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	471,253
Accrued interest payable, end of the year	(524,713)

Proceeds and repayments of principal on long-term debt are other financing

sources and expenditures in the governmental funds, but not in the statement of activities

(where they are additions and reductions of liabilities)

Principal repayment and payment of interest on school bond loan fund	19,953,560
Proceed from debt refunding	(17,160,780)
Proceed from school bond loan fund	(1,833,000)
Long-term interest on school bond loan fund (accrued)	(146,451)
Long-term appreciation on capital appreciation bond (accrued)	(181,566)

Revenue is recorded on the accrual method in the statement of activities; in the

governmental funds it is recorded on the modified accrual method and not considered available:

Deferred revenue, beginning of the year	(57,819)
Deferred revenue, end of the year	98,398

Compensated absences are reported on the accrual method in the statement of activities,

and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences and severance benefits, beginning of the year	983,326
Accrued compensated absences and severance benefits, end of the year	(894,856)
Accrued voluntary severance plan, beginning of the year	381,600
Accrued voluntary severance plan, end of the year	—

Change in net assets of governmental activities	\$ 1,560,095
--	---------------------

**HASLETT PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2004**

	Agency funds
	<hr/>
ASSETS	
Due from general fund	\$ 430,950
	<hr/> <hr/>
LIABILITIES	
Due to student groups	\$ 430,950
	<hr/> <hr/>

HASLETT PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Haslett Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Haslett Public Schools (the "District") is governed by the Haslett Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and No. 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2003 school bond loan fund (SBLF) refunding debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *2001 capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

The following is a summary of the revenue and expenditures for the 2001 capital projects bond activity since inception:

	<u>2001 Bond</u>
Revenue and other financing sources	<u>\$ 29,951,634</u>
Expenditures and transfers	<u>\$ 20,153,046</u>

The above revenue amount includes net bond proceeds of \$27,899,987.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The *capital projects sinking fund* accounts for the receipt of sinking fund millage proceeds and the acquisition of fixed assets or construction of capital projects. The District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2004, the foundation allowance was based on pupil membership counts taken in February and September of 2003.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2003 to August 2004. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2004, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	17.8882
Debt service fund - Homestead and non-homestead	8.3300
Sinking fund - Homestead and non-homestead	0.8140

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

The District's contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. The Superintendent of Business is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2004. The District does not consider these amendments to be significant.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK

The District utilizes pooled cash accounts for some of its funds.

Deposits

At year-end, the carrying amount of the District's deposits were \$3,792,256. The bank balance was \$4,047,599 of which \$100,000 was covered by federal depository insurance and \$3,947,599 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name.

	Category			Carrying amount
	1	2	3	
Commercial paper	\$ 5,399,418	\$	\$	\$ 5,399,418
Investments not subject to categorization:				
Pooled investment fund				992,820
				<u>\$ 6,392,238</u>

Balance sheet classifications:

	Deposits	Investments	Total
Cash	\$ 711,380	\$ 9,802,173	\$ 10,513,553
Investments		6,392,238	6,392,238
	<u>\$ 711,380</u>	<u>\$ 16,194,411</u>	<u>\$ 16,905,791</u>

The District voluntarily invests certain excess funds in external pooled investment funds, which includes money market funds. One of the pooled investment funds utilized by the District is the MBIA. This fund is an external pooled investment fund of "qualified" investments for Michigan school districts. This fund is not regulated nor is it registered with the SEC. This fund reports as of June 30, 2004, the fair value of the District's investment is the same as the value of the pool shares.

HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 330,000	\$	\$	\$ 330,000
Construction in progress	6,355,550	12,437,428		18,792,978
Total capital assets not being depreciated	6,685,550	12,437,428		19,122,978
Capital assets, being depreciated:				
Buildings and additions	36,807,580			36,807,580
Technology	2,508,345	393,628		2,901,973
Furniture and fixtures	1,851,300	181,072		2,032,372
Machinery and equipment	735,475	171,170		906,645
Transportation equipment	1,268,790	87,477	38,981	1,317,286
Total capital assets, being depreciated	43,171,490	833,347	38,981	43,965,856
Accumulated depreciation:				
Buildings and improvements	9,289,049	652,486		9,941,535
Technology	1,940,113	239,939		2,180,052
Furniture and fixtures	981,001	59,515		1,040,516
Machinery and equipment	351,520	80,261		431,781
Transportation equipment	677,338	114,389	37,033	754,694
Total accumulated depreciation	13,239,021	1,146,590	37,033	14,348,578
Net capital assets being depreciated	29,932,469	(313,243)	1,948	29,617,278
Net governmental capital assets	<u>\$ 36,618,019</u>	<u>\$ 12,124,185</u>	<u>\$ 1,948</u>	<u>\$ 48,740,256</u>

Depreciation for the fiscal year ended June 30, 2004 amounted to \$1,146,590. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - RECEIVABLES

Receivables at June 30, 2004 consist of the following:

Other governmental units	\$ 3,669,698
Taxes	47,239
Other	<u>136,217</u>
	<u><u>\$ 3,853,154</u></u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

NOTE 6 - NOTE PAYABLE

At June 30, 2004, the District has a note payable outstanding of \$1,900,000. The note has an interest rate of 1.03% and matures August 22, 2004. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2003	Additions	Payments	Balance June 30, 2004
<u>\$ 2,100,000</u>	<u>\$ 1,900,000</u>	<u>\$ 2,100,000</u>	<u>\$ 1,900,000</u>

NOTE 7 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Continued)

Long-term debts and other obligations currently outstanding are as follows:

1990 capital appreciation bonds due May 1, 2005, effective interest rate of 7.5%	\$ 1,410,000
Unrealized appreciation on capital appreciation bonds	(97,559)
1996 serial bonds due in annual installments of \$310,000 to \$460,000 through May 1, 2007 with interest from 4.9% to 6.50%	1,080,000
1999 refunding term bonds due in annual installments of \$35,000 to \$505,000 through May 2019 with interest from 3.70% to 4.75%	4,415,000
1999 refunding term bonds due in annual installments of \$455,000 to \$475,000 from May 2020 to May 2026 with an interest rate of 4.75%	3,260,000
2001 serial bonds due in annual installments of \$425,000 to \$1,475,000 through May 2020 with interest from 2.4% to 5.625%	14,150,000
2001 term bonds due in annual installments of \$1,575,000 to \$1,675,000 from May 2021 to May 1, 2022 with an interest rate of 5%	3,250,000
2001 term bonds due in annual installments of \$1,775,000 to \$2,075,000 from May 2023 to May 1, 2027 with an interest rate of 5%	9,750,000
2002 refunding serial bonds due in annual installments of \$370,000 to \$1,490,000 through May 2016 with interest from 2.45% to 5.0%	12,825,000
2002 refunding term bonds due in annual installments of \$780,000 to \$820,000 from May 2017 to May 1, 2019 with an interest rate of 5.0%	2,400,000
2003 refunding term bond due in annual installments of \$207,000 to \$2,106,000 from May 2005 through May 2014 with an interest rate of 3.318%	<u>16,943,000</u>
Total general obligation debt	69,385,441
Limited obligation (Durant) bonds due in annual installments of \$12,912 to \$63,023 through May 2013 with an interest rate of 4.76%. Certain future state aid payments have been pledged as security.	<u>170,423</u>
Total bonded debt	69,555,864
Borrowings from the State of Michigan under the School Bond Loan Program, including interest	2,238,620
Obligation under contract for compensated absences	189,488
Obligation under contract for severance benefits	<u>705,368</u>
Total general long-term debt	<u><u>\$ 72,689,340</u></u>

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Continued)

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2004, \$39,130,000 of bonds outstanding are considered defeased.

The annual requirements to amortize long-term debt outstanding as of June 30, 2004, including interest of \$34,398,442 are as follows:

Year ending June 30,	Principal	Interest	Total
2005	\$ 2,807,000	\$ 2,961,160	\$ 5,768,160
2006	4,033,912	2,911,627	6,945,539
2007	3,895,524	2,773,743	6,669,267
2008	3,932,171	2,624,566	6,556,737
2009	4,012,023	2,504,307	6,516,330
2010-2014	20,817,793	10,124,653	30,942,446
2015-2019	12,420,000	6,427,552	18,847,552
2020-2024	10,720,000	3,390,758	14,110,758
2025-2027	7,015,000	680,076	7,695,076
Total	69,653,423	34,398,442	104,051,865
Unrealized appreciation	(97,559)		(97,559)
	69,555,864	34,398,442	103,954,306
Due to school bond loan fund	2,238,620		2,238,620
Accumulated compensated absences	189,488		189,488
Accumulated severance benefits	705,368		705,368
	<u>\$ 72,689,340</u>	<u>\$ 34,398,442</u>	<u>\$ 107,087,782</u>

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Concluded)

An amount of \$155,276 is available in the debt service funds to service the general obligation debt.

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2004:

	Compensated absences and severance benefits	General obligation bonds	Limited obligation bonds	School bond loan fund	Total
Balance July 1, 2003	\$ 983,326	\$ 54,835,875	\$ 170,423	\$ 17,419,949	\$ 73,409,573
Additions	5,167	17,342,346		1,979,451	19,326,964
Deletions	<u>(93,637)</u>	<u>(2,792,780)</u>		<u>(17,160,780)</u>	<u>(20,047,197)</u>
Balance June 30, 2004	894,856	69,385,441	170,423	2,238,620	72,689,340
Less current portion	<u>(74,541)</u>	<u>(2,807,000)</u>			<u>(2,881,541)</u>
Total due after one year	<u>\$ 820,315</u>	<u>\$ 66,578,441</u>	<u>\$ 170,423</u>	<u>\$ 2,238,620</u>	<u>\$ 69,807,799</u>

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2004 are as follows:

Receivable Fund		Payable Fund	
Capital projects	\$ 2,001	General	\$ 18,118
Special revenue	<u>16,117</u>		
	<u>\$ 18,118</u>		<u>\$ 18,118</u>

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2004, was 12.99% of payroll. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2004, 2003, and 2002 were \$1,881,870, \$1,933,543, and \$1,795,789, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits

Under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

NOTE 11 - TRANSFERS

The general fund transferred \$438,213 to the athletic and food service funds during the current fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**HASLETT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2004**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES:				
Local	\$ 2,846,546	\$ 2,870,561	\$ 2,790,536	\$ (80,025)
State sources	19,041,622	19,313,476	19,217,524	(95,952)
Federal sources	430,178	644,204	616,117	(28,087)
Incoming transfers and other transactions	1,700,013	2,237,901	2,250,426	12,525
Total revenues	24,018,359	25,066,142	24,874,603	(191,539)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	10,205,049	10,717,600	10,700,220	17,380
Added needs	2,068,439	1,671,525	1,666,023	5,502
Adult and community education	798,343	723,644	689,663	33,981
Total instruction	13,071,831	13,112,769	13,055,906	56,863
Support services:				
Pupil	1,128,473	1,898,578	1,847,030	51,548
Instructional staff	1,176,616	1,356,231	1,201,178	155,053
General administration	1,147,618	1,179,362	1,101,860	77,502
School administration	1,510,582	1,544,943	1,522,958	21,985
Business	4,728,635	3,866,748	3,669,864	196,884
Total support services	9,691,924	9,845,862	9,342,890	502,972

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
EXPENDITURES (Concluded):				
Current (Concluded):				
Community services	\$ 499,520	\$ 495,322	\$ 461,836	\$ 33,486
Outgoing transfers and other transactions	691,574	890,420	985,702	(95,282)
Total expenditures	23,954,849	24,344,373	23,846,334	498,039
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	63,510	721,769	1,028,269	306,500
OTHER FINANCING USES:				
Operating transfers out	(470,667)	(555,870)	(438,213)	117,657
NET CHANGE IN FUND BALANCE	<u>\$ (407,157)</u>	<u>\$ 165,899</u>	590,056	<u>\$ 424,157</u>
FUND BALANCE:				
Beginning of year			1,942,405	
End of year			<u>\$ 2,532,461</u>	

ADDITIONAL INFORMATION

**HASLETT PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2004**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total nonmajor Governmental funds</u>
ASSETS				
ASSETS:				
Cash	\$	\$ 140,800	\$ 18,190	\$ 158,990
Investments		12,984	829,985	842,969
Receivables:				
Other governmental units	5,630			5,630
Due from other funds	16,117		2,001	18,118
Inventories	7,550			7,550
TOTAL ASSETS	<u>\$ 29,297</u>	<u>\$ 153,784</u>	<u>\$ 850,176</u>	<u>\$ 1,033,257</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 299	\$	\$	\$ 299
Accrued salaries and related items	21,508			21,508
Deferred revenue	6,558			6,558
TOTAL LIABILITIES	<u>28,365</u>			<u>28,365</u>
FUND BALANCES:				
Reserved for debt service		153,784		153,784
Designated for subsequent year's expenditures			850,176	850,176
Undesignated	932			932
TOTAL FUND BALANCES	<u>932</u>	<u>153,784</u>	<u>850,176</u>	<u>1,004,892</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 29,297</u>	<u>\$ 153,784</u>	<u>\$ 850,176</u>	<u>\$ 1,033,257</u>

HASLETT PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2004

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$	\$ 3,688,916	\$ 361,699	\$ 4,050,615
Investment income		8,681	4,674	13,355
Other	761,771	34,060	591	796,422
Total local sources	761,771	3,731,657	366,964	4,860,392
State sources	30,748			30,748
Federal sources	163,119			163,119
Total revenues	955,638	3,731,657	366,964	5,054,259
EXPENDITURES:				
Current :				
Athletics	574,170			574,170
Food service	826,497			826,497
Capital outlay			27,237	27,237
Debt service:				
Principal retirement		2,575,000		2,575,000
Interest and fiscal charges		2,457,930		2,457,930
Total expenditures	1,400,667	5,032,930	27,237	6,460,834
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(445,029)	(1,301,273)	339,727	(1,406,575)
OTHER FINANCING SOURCES:				
Proceeds from school bond loan fund		1,280,000		1,280,000
Operating transfers in	438,213			438,213
Total other financing sources	438,213	1,280,000		1,718,213
NET CHANGE IN FUND BALANCES	(6,816)	(21,273)	339,727	311,638
FUND BALANCES:				
Beginning of year	7,748	175,057	510,449	693,254
End of year	\$ 932	\$ 153,784	\$ 850,176	\$ 1,004,892

**HASLETT PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004
(with comparative totals for June 30, 2003)**

	Food service fund	Athletics fund	Total	
			2004	2003
ASSETS				
Accounts receivable - other governmental units	\$ 5,630	\$	\$ 5,630	\$ 11,128
Inventory - food service	7,550		7,550	7,151
Due from general fund	9,559	6,558	16,117	24,709
	<u>9,559</u>	<u>6,558</u>	<u>16,117</u>	<u>24,709</u>
TOTAL ASSETS	<u><u>\$ 22,739</u></u>	<u><u>\$ 6,558</u></u>	<u><u>\$ 29,297</u></u>	<u><u>\$ 42,988</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 299		\$ 299	\$ 720
Accrued salaries and related items	21,508		21,508	27,162
Deferred revenue		6,558	6,558	7,358
	<u>21,508</u>	<u>6,558</u>	<u>28,066</u>	<u>34,440</u>
Total liabilities	<u>21,807</u>	<u>6,558</u>	<u>28,365</u>	<u>35,240</u>
Fund balances	<u>932</u>	<u></u>	<u>932</u>	<u>7,748</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 22,739</u></u>	<u><u>\$ 6,558</u></u>	<u><u>\$ 29,297</u></u>	<u><u>\$ 42,988</u></u>

**HASLETT PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004
(with comparative totals for the year ended June 30, 2003)**

	Food service fund	Athletics fund	Total	
			2004	2003
REVENUES:				
Sale of lunches and milk	\$ 603,412	\$	\$ 603,412	\$ 578,930
Federal aid	163,119		163,119	174,936
State aid	30,748		30,748	32,291
Miscellaneous	14,972		14,972	29,340
Athletic events		143,387	143,387	94,352
Total revenues	<u>812,251</u>	<u>143,387</u>	<u>955,638</u>	<u>909,849</u>
EXPENDITURES:				
Salaries and wages	233,292	363,206	596,498	627,689
Employee benefits	114,267	97,515	211,782	214,950
Supplies and other expenses	10,001	86,827	96,828	108,580
Food costs	365,506		365,506	345,588
Capital outlay	56,483	26,622	83,105	56,964
Indirect costs	46,948		46,948	54,899
Total expenditures	<u>826,497</u>	<u>574,170</u>	<u>1,400,667</u>	<u>1,408,670</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,246)	(430,783)	(445,029)	(498,821)
OTHER FINANCING SOURCES:				
Operating transfer in from general fund	<u>7,430</u>	<u>430,783</u>	<u>438,213</u>	<u>506,569</u>
NET CHANGE IN FUND BALANCES	(6,816)		(6,816)	7,748
FUND BALANCES, beginning of year	<u>7,748</u>		<u>7,748</u>	
FUND BALANCES, end of year	<u><u>\$ 932</u></u>	<u><u>\$</u></u>	<u><u>\$ 932</u></u>	<u><u>\$ 7,748</u></u>

**HASLETT PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004
(with comparative totals for June 30, 2003)**

	Nonmajor funds								Totals	
ASSETS	1990	1992	1996	1999	2001	2002	Total	2003 SBLF	2004	2003
Cash	\$ 45,820	\$	\$ 15,385	\$ 16,320	\$ 23,805	\$39,470	\$140,800	\$1,492	\$142,292	\$ 86,687
Investments	698		550	1,490	404	9,842	12,984		12,984	88,870
TOTAL ASSETS	<u>\$ 46,518</u>	<u>\$</u>	<u>\$ 15,935</u>	<u>\$ 17,810</u>	<u>\$ 24,209</u>	<u>\$49,312</u>	<u>\$153,784</u>	<u>\$1,492</u>	<u>\$155,276</u>	<u>\$ 175,557</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 500
Fund balances:										
Reserved for debt service	46,518		15,935	17,810	24,209	49,312	153,784	1,492	155,276	175,057
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 46,518</u>	<u>\$</u>	<u>\$ 15,935</u>	<u>\$ 17,810</u>	<u>\$ 24,209</u>	<u>\$49,312</u>	<u>\$153,784</u>	<u>\$1,492</u>	<u>\$155,276</u>	<u>\$ 175,557</u>

HASLETT PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004
(with comparative totals for the year ended June 30, 2003)

	Nonmajor funds								Totals	
	1990	1992	1996	1999	2001	2002	Total	2003 SBLF	2004	2003
REVENUES:										
Local sources:										
Current taxes	\$ 1,283,873	\$	\$380,887	\$434,033	\$ 482,896	\$ 1,107,227	\$ 3,688,916	\$	\$ 3,688,916	\$ 3,482,275
Other	(1,261)	6	(64)	14	11,431	23,934	34,060		34,060	(1,671)
Interest on investments	4,063	84	1,050	688	650	2,146	8,681	1	8,682	13,136
Total revenues	1,286,675	90	381,873	434,735	494,977	1,133,307	3,731,657	1	3,731,658	3,493,740
EXPENDITURES:										
Redemption of bonds	1,320,000		310,000	85,000	400,000	460,000	2,575,000	13,539,011	16,114,011	2,390,000
Interest on bonds			80,353	356,498	1,334,631	668,199	2,439,681	4,173,278	6,612,959	2,632,007
Other debt retirement expenses	1,000	16,449	500	300			18,249		18,249	2,300
Total expenditures	1,321,000	16,449	390,853	441,798	1,734,631	1,128,199	5,032,930	17,712,289	22,745,219	5,024,307
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES										
	(34,325)	(16,359)	(8,980)	(7,063)	(1,239,654)	5,108	(1,301,273)	(17,712,288)	(19,013,561)	(1,530,567)
OTHER FINANCING SOURCES (USES):										
Proceeds from refunding debt								17,160,780	17,160,780	
Proceeds from school bond loan fund	10,000		10,000	9,000	1,251,000		1,280,000	553,000	1,833,000	1,404,000
Total other financing sources	10,000		10,000	9,000	1,251,000		1,280,000	17,713,780	18,993,780	1,404,000
NET CHANGE IN FUND BALANCES	(24,325)	(16,359)	1,020	1,937	11,346	5,108	(21,273)	1,492	(19,781)	(126,567)
FUND BALANCES , beginning of year	70,843	16,359	14,915	15,873	12,863	44,204	175,057		175,057	301,624
FUND BALANCES , end of year	\$ 46,518	\$	\$ 15,935	\$ 17,810	\$ 24,209	\$ 49,312	\$ 153,784	\$ 1,492	\$ 155,276	\$ 175,057

**HASLETT PUBLIC SCHOOLS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004**

	<u>General</u>	<u>Sinking fund</u>	<u>Totals</u>
ASSETS			
Cash	\$	\$ 18,190	\$ 18,190
Investments		829,985	829,985
Interest receivable			
Due from general fund	<u>2,001</u>		<u>2,001</u>
	<u>\$ 2,001</u>	<u>\$ 848,175</u>	<u>\$ 850,176</u>
 Fund balances:			
Unreserved			
Designated for subsequent years expenditures	<u>\$ 2,001</u>	<u>\$ 848,175</u>	<u>\$ 850,176</u>

**HASLETT PUBLIC SCHOOLS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Sinking fund</u>	<u>Totals</u>
REVENUES:			
Current taxes	\$	\$ 361,699	\$ 361,699
Other		591	591
Interest on investments		4,674	4,674
Total revenues		366,964	366,964
EXPENDITURES:			
Capital outlay		27,237	27,237
NET CHANGE IN FUND BALANCES		339,727	339,727
FUND BALANCES, beginning of year	2,001	508,448	510,449
FUND BALANCES, end of year	<u>\$ 2,001</u>	<u>\$ 848,175</u>	<u>\$ 850,176</u>

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2004**

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Class of 1997	\$ 1,382	\$ 5,054	\$ 3,383	\$ 3,053
Class of 2001	2,522			2,522
Class of 2002	35	141	176	
Class of 2003	1,511			1,511
Class of 2004	6,066	594	6,086	574
Class of 2005	5,281	23,067	22,622	5,726
Class of 2006	1,167	5,857	2,496	4,528
Athletic Boosters:				
Baseball Boosters	490	2,938	2,620	808
Basketball Booster - Girls	877	1,719	2,049	547
Basketball Booster - Boys	429	5,095	2,507	3,017
Cross Country Boosters	339	165		504
Football Boosters	1,023	13,590	12,024	2,589
Golf Boosters - Girls		280		280
Soccer Boosters - Boys	776	1,054		1,830
Softball Boosters - Girls	2,855	2,018	3,858	1,015
Swimming Boosters - Boys	272	404		676
Swimming Boosters - Girls	967	950	356	1,561
Tennis Boosters - Girls		150		150
Track Boosters - Boys		1,814		1,814
Volleyball Boosters - Girls		467	200	267
High School:				
Band		30		30
Baseball camp	181	3,175	3,356	
Basketball	12			12
Belnap Memorial Fund	780			780
M Bray Memorial Fund		1,790		1,790
Cheerleaders	5,856	14,264	18,379	1,741
Class of 91 scholarship fund	9,417	360	1,000	8,777
Close-up	18			18

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2004**

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
High School (Continued):				
College testing	\$ 2,411	\$ 13,848	\$ 13,979	\$ 2,280
Community of Caring	83			83
Cooperative	72			72
Cross Country Camp	1,997	4,998	4,294	2,701
Dixit	8,975	42,575	31,209	20,341
 Drama	1,665	4,505	2,646	3,524
Drama/musical	2,802	17,641	18,511	1,932
Driver Ed textbooks	11,649	1,754	9,418	3,985
Fees and fines	2,280	1,350	749	2,881
Fitness room	692	2,959	3,651	
 Football preseason camp	2,605	12,315	13,626	1,294
Flower Fund	22	403	242	183
Forensics		273	48	225
French	2,671	360	727	2,304
Fund raiser	17,948	3,318	5,888	15,378
V Hoisington Music Fund	37,116	255	2,176	35,195
Honor society	2,654	2,664	1,950	3,368
 Hockey	44			44
Invitational boys	8,417	18,231	16,860	9,788
Invitational girls	6,252	7,252	3,978	9,526
Key club	383	165	438	110
Math department	92	42	114	20
 MHSAA Tourney	16,971	18,817	11,199	24,589
Model UN	46			46
Myers Memorial	355			355
Newspaper	1,011	2,961	3,255	717
Notebooks - science		1,310	1,310	
 Pals	59	261	320	
Photography		2,499	2,384	115
Post prom	1,350	1,765	2,387	728
Principal scholarship fund	1,000	2,000	3,000	
Proud Sponsor Books	1,165	883	583	1,465
Refresher	1,700	4,415	1,371	4,744
Refresher-athletic	5,182	10,499	2,605	13,076

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2004**

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
High School (Concluded):				
Revolving	\$ 2,655	\$ 2,777	\$ 5,117	\$ 315
Rowan Memorial Scholarship	13,928	96	190	13,834
Roy Swergfeger Memorial Fund	1,235	100		1,335
School store	10,030	29,613	25,204	14,439
Science department	1,421	7,418	7,106	1,733
Senior cap and gown	310	5,112	5,057	365
Senior party	57	8,738	8,055	740
Soccer preseason camp	322	7,222	6,114	1,430
Softball preseason camp	551	5,020	4,920	651
SMART Program		1,015		1,015
Spanish	4,080	728	18	4,790
Spanish-Dinero	97			97
Sports Weightlifters	4,566	10,195	11,083	3,678
State Meet Boys	3,182	1,018	3,265	935
State Meet Girls	2,394	1,878	2,484	1,788
Stratford Trip	1,027	4,667	5,049	645
Student council	3,374	7,055	5,138	5,291
Swimming - girls	1,121	1,113	1,967	267
TV 25	8,453	3,568	10,217	1,804
Warner Scholarship Fund	1,057		500	557
Wrestling	80	500	485	95
Middle School:				
Band	1,121		223	898
Book Club / Book Fair		3,886	3,844	42
Choral music	1,676			1,676
Ecology	147		147	
8th Grade Prime Time	424	10,018	9,459	983
Pep	1,161	385	330	1,216
School fund	6,109	2,737	1,899	6,947
Proud Sponsor Books	428	2,262	2,273	417
Revolving	1,348	23,654	24,607	395
Shop wood	18	715	452	281

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2004**

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Middle School:				
Murphy:				
Science Olympiad	\$ 75	\$	\$ 47	\$ 28
Student council	6,996	2,301	4,802	4,495
Teachers	7	1,748	1,428	327
Theatre patrons	2,770	4,800	2,886	4,684
Vocational Ed		2,307	1,824	483
Yearbook	1,338	12,161	13,209	290
Book Fair	5,783	15,086	15,974	4,895
Donations and scholarships	1,657			1,657
Field trips	1,107	28,395	27,667	1,835
MOST PTO	6,901	45,952	30,669	22,184
Music Boosters/ice cream social	2,421	2,476	3,208	1,689
Refresher		1,725	966	759
Revolving	3,913	8,916	6,667	6,162
Student council	3,809	1,305	2,046	3,068
Ralya:				
Field trips	2,579	24,654	26,039	1,194
Music Boosters/ice cream social	2,539	5,698	5,698	2,539
Proud Sponsor Books	1,278	2,441	2,920	799
PTO	9,773	41,273	27,532	23,514
Refresher	1,831	675	2,077	429
Revolving	2,797	19,011	18,074	3,734
Box Top Account	3,369	1,605	2,073	2,901
RIF	5,352	12,678	11,311	6,719
Social fund	161	659	711	109
Student Council	921			921
Wilkshire:				
Activity	1,974	4,625	3,852	2,747
Box Tops	1,445	564	702	1,307
Elementary Music Fund Raiser	35	1	36	
Field trip	442	6,500	5,767	1,175
Music Boosters/ice cream social	2,326	1,725	1,637	2,414

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2004**

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Middle School (Concluded):				
Wilkshire (Concluded):				
Proud Sponsor Books	\$ 2,468	\$ 4,196	\$ 5,057	\$ 1,607
PTO	21,337	1,700	11,922	11,115
Reading	2,650	9,781	8,305	4,126
Refresher	427	519	678	268
Meridian High School:				
Book deposit	266			266
Cap and gown	61	1,053	877	237
ESL Activities / Yearbook		7,160	1,270	5,890
Flower fund	228			228
Junior Achievement	577	305	290	592
Proud Sponsor Books	95	800	225	670
Refresher	5,445	4,570	3,960	6,055
Scholarship	6,551	6,129	2,845	9,835
Senior Snack	238			238
Yearbook	378	1,826	2,193	11
Community Education:				
Gymnastics	54			54
Kids Conn. Activities	969		875	94
Revolving	360			360
Other:				
Administration gift/flower fund	164		158	6
Bus garage refresher	651	442	400	693
District beverage support	2,396			2,396
Earth Day	232	192		424
Haslett Sec. Conference fund	330	499	159	670
Inspirational book fund	75	2	77	
Refreshment fund	48	307	275	80
Rotary scholarship	310	1,000	1,310	
Student Assistance program	1,053	2,457		3,510
Teachers Conference	6,359	16,284	20,024	2,619
Total agency funds	<u>\$ 381,618</u>	<u>\$ 715,287</u>	<u>\$ 665,955</u>	<u>\$ 430,950</u>

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2004**

Bond issue dated November 6, 1990 for the purpose of erecting, furnishing and equipping an addition or additions to and partially remodeling and partially re-equipping existing school facilities; purchasing buses; constructing and equipping improvements to athletics, physical education and playground facilities; and developing and improving sites. The maturity amount of the original issue was \$24,000,000 of which \$18,495,000 was defeased upon the issuance of the 1992 refunding bonds.

The portion of the bond issue that was not defeased and remains outstanding consists of the following:

Capital Appreciation Bonds issued at \$1,508,641 on November 6, 1990:

The bonds appreciate at approximately 7.5% as follows:

	<u>Appreciation</u>	<u>Face value</u>
	\$ -	\$ 1,312,441
November 1, 2004	47,899	1,360,340
May 1, 2005	<u>49,660</u>	1,410,000
Total unrealized appreciation	<u>\$ 97,559</u>	
	<u>Principal</u>	
<u>Maturity date</u>	<u>due May 1,</u>	
2005	<u>\$ 1,410,000</u>	

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2004**

1996 Serial bonds:

Bond issue dated November 6, 1996 for the purpose of additions and renovations to the High School, Middle School and Community Education building, renovations to the elementary schools, technology improvements, and developing and improving District sites. The maturity amount of the original issue was \$12,300,000 of which \$7,080,000 Bond \$1,685,000 was defeased upon the issuance of the 1999 and 2002 refunding bonds respectively.

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 310,000	\$ 32,581	\$ 32,581	2005	\$ 375,162
310,000	24,831	24,831	2006	359,662
460,000	14,950	14,950	2007	489,900
<u>\$ 1,080,000</u>	<u>\$ 72,362</u>	<u>\$ 72,362</u>		<u>\$ 1,224,724</u>

The above bonds have interest rates from 4.9% to 6.5%.

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2004**

\$8,250,000 Bonds issued February 1, 1999:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 85,000	\$ 176,634	\$ 176,634	2005	\$ 438,268
35,000	174,976	174,976	2006	384,952
40,000	174,276	174,276	2007	388,552
40,000	173,456	173,456	2008	386,912
40,000	172,626	172,626	2009	385,252
45,000	171,796	171,796	2010	388,592
200,000	170,840	170,840	2011	541,680
505,000	166,540	166,540	2012	838,080
500,000	155,556	155,556	2013	811,112
495,000	144,681	144,681	2014	784,362
495,000	133,668	133,668	2015	762,336
490,000	122,530	122,530	2016	735,060
485,000	111,260	111,260	2017	707,520
480,000	100,105	100,105	2018	680,210
480,000	88,825	88,825	2019	657,650
475,000	77,425	77,425	2020	629,850
470,000	66,144	66,144	2021	602,288
470,000	54,981	54,981	2022	579,962
465,000	43,819	43,819	2023	552,638
465,000	32,775	32,775	2024	530,550
460,000	21,731	21,731	2025	503,462
455,000	10,806	10,806	2026	476,612
<u>\$ 7,675,000</u>	<u>\$ 2,545,450</u>	<u>\$ 2,545,450</u>		<u>\$ 12,765,900</u>

The above bonds have interest rates from 3.70% to 4.75%. The bond proceeds were used to refinance a portion of the 1996 bond issue and the remaining 1975 bond issue.

Original Issue	Amount Outstanding
\$ 4,990,000	\$ 4,415,000
<u>3,260,000</u>	<u>3,260,000</u>
<u>\$ 8,250,000</u>	<u>\$ 7,675,000</u>

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2004**

\$27,900,000 Bonds issued November 8, 2001:

Principal due May 1,	Interest due		Debt service requirement for the fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 425,000	\$ 661,816	\$ 661,816	2005	\$ 1,748,632
550,000	655,441	655,441	2006	1,860,882
675,000	646,641	646,641	2007	1,968,282
675,000	634,997	634,997	2008	1,944,994
675,000	622,678	622,678	2009	1,920,356
675,000	610,022	610,022	2010	1,895,044
725,000	596,859	596,859	2011	1,918,718
725,000	582,359	582,359	2012	1,889,718
800,000	567,497	567,497	2013	1,934,994
850,000	550,697	550,697	2014	1,951,394
1,000,000	532,422	532,422	2015	2,064,844
1,075,000	504,297	504,297	2016	2,083,594
1,175,000	474,063	474,063	2017	2,123,126
1,275,000	441,016	441,016	2018	2,157,032
1,375,000	405,156	405,156	2019	2,185,312
1,475,000	366,484	366,484	2020	2,207,968
1,575,000	325,000	325,000	2021	2,225,000
1,675,000	285,625	285,625	2022	2,246,250
1,775,000	243,750	243,750	2023	2,262,500
1,875,000	199,375	199,375	2024	2,273,750
1,975,000	152,500	152,500	2025	2,280,000
2,050,000	103,125	103,125	2026	2,256,250
2,075,000	51,875	51,875	2027	2,178,750
<u>\$ 27,150,000</u>	<u>\$ 10,213,695</u>	<u>\$ 10,213,695</u>		<u>\$ 47,577,390</u>

The above bonds have interest rates from 2.4% to 5.625%. The bonds were issued for the purpose of erecting, furnishing and equipping an addition and or additions to existing school buildings, acquiring and installing educational technology; constructing improvements to playgrounds and athletic fields; erecting, furnishing and equipping a swimming pool as an addition to the Haslett High School; remodeling and re-equipping existing pool areas for educational purposes and developing and improving sites.

Original Amount	Amount Outstanding
\$ 14,900,000	\$ 14,150,000
3,250,000	3,250,000
<u>9,750,000</u>	<u>9,750,000</u>
<u>\$ 27,900,000</u>	<u>\$ 27,150,000</u>

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2004**

\$16,110,000 Bonds issued February 12, 2002:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 370,000	\$ 328,465	\$ 328,465	2005	\$ 1,026,930
1,490,000	322,915	322,915	2006	2,135,830
1,025,000	297,585	297,585	2007	1,620,170
1,465,000	278,623	278,623	2008	2,022,246
1,440,000	250,055	250,055	2009	1,940,110
1,420,000	220,175	220,175	2010	1,860,350
1,235,000	190,000	190,000	2011	1,615,000
915,000	162,830	162,830	2012	1,240,660
895,000	142,243	142,243	2013	1,179,486
880,000	121,658	121,658	2014	1,123,316
855,000	100,978	100,978	2015	1,056,956
835,000	80,458	80,458	2016	995,916
820,000	60,000	60,000	2017	940,000
800,000	39,500	39,500	2018	879,000
780,000	19,500	19,500	2019	819,000
<u>\$ 15,225,000</u>	<u>\$ 2,614,985</u>	<u>\$ 2,614,985</u>		<u>\$ 20,454,970</u>

The above bonds have interest rates from 2.45% to 5.0%. The bond proceeds were used to refinance the 1992 bond issue and a portion of 1996 bond issue.

Original amount	Amount outstanding
\$ 13,710,000	\$ 12,825,000
<u>2,400,000</u>	<u>2,400,000</u>
<u>\$ 16,110,000</u>	<u>\$ 15,225,000</u>

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2004**

\$17,160,780 Bonds issued September 30, 2003:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 207,000	\$ 281,084	\$ 281,084	2005	\$ 769,168
1,636,000	277,650	277,650	2006	2,191,300
1,682,000	250,509	250,509	2007	2,183,018
1,738,000	222,605	222,605	2008	2,183,210
1,794,000	193,771	193,771	2009	2,181,542
1,852,000	164,009	164,009	2010	2,180,018
1,913,000	133,284	133,284	2011	2,179,568
1,975,000	101,547	101,547	2012	2,178,094
2,040,000	68,782	68,782	2013	2,177,564
2,106,000	34,939	34,939	2014	2,175,878
<u>\$ 16,943,000</u>	<u>\$ 1,728,180</u>	<u>\$ 1,728,180</u>		<u>\$ 20,399,360</u>

The above bond has an interest rate of 3.318%. The bond proceeds were used to refinance existing borrowings from the Michigan School Bond Loan Program.

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2004**

\$266,756 Durant Bond – issued on November 24, 1998

Principal due May 15,	Interest due May 15,	Debt service requirement for fiscal year	
		June 30,	Amount
\$ -	\$ -	2005	\$ -
12,912	5,821	2006	18,733
13,523	5,206	2007	18,729
14,171	4,562	2008	18,733
63,023	25,375	2009	88,398
15,552	3,180	2010	18,732
16,293	2,439	2011	18,732
17,068	1,664	2012	18,732
17,881	851	2013	18,732
<u>\$ 170,423</u>	<u>\$ 49,098</u>		<u>\$ 219,521</u>

This bond is not subject to redemption prior to maturity by the District and the District hereby covenants that it will not issue any other bonds or obligations for the purpose of refunding this bond. The 4.76% interest rates payable on this bond may be adjusted in the sole discretion of the Authority provided that no interest rate shall exceed the maximum rate permitted by law and no interest rate adjustment which causes the total interest payable on this bond to increase shall be permitted.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the District (the “State Aid Payments”). The District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the District and does not constitute an indebtedness of the District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority’s depository.

HASLETT PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL BOND LOAN PROGRAM
JUNE 30, 2004

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Program. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. In September 2003, \$17,160,780 of bonds were issued specifically for repayment of existing borrowings under the Michigan School Bond Loan Fund. The borrowings from and repayments to the State under this program have been summarized as follows:

Year ended June 30,	Loan proceeds	Interest expense	Loan balance (net change)
1992	\$ 1,123,900	\$ 21,833	\$ 1,145,733
1993	994,500	52,458	1,046,958
1994	965,000	73,873	1,038,873
1995	1,010,846	138,840	1,149,686
1996	929,747	258,628	1,188,375
1997	1,235,000	320,769	1,555,769
1998	1,528,127	410,278	1,938,405
1999	1,321,000	485,822	1,806,822
2000	1,087,000	570,656	1,657,656
2001	884,111	625,588	1,509,699
2002	838,000	597,304	1,435,304
2003	1,404,000	542,669	1,946,669
2004	1,833,000	146,451	1,979,451
2004 loan repayment	<u>(13,321,231)</u>	<u>(3,839,549)</u>	<u>(17,160,780)</u>
Totals June 30, 2004	<u><u>\$ 1,833,000</u></u>	<u><u>\$ 405,620</u></u>	<u><u>\$ 2,238,620</u></u>

HASLETT PUBLIC SCHOOLS
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2004

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Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raack
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Haslett Public Schools
Haslett, Michigan

August 5, 2004

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Haslett Public Schools as of and for the year ended June 30, 2004, which collectively comprise Haslett Public Schools' basic financial statements and have issued our report thereon dated August 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Haslett Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Haslett Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Haslett Public Schools in a separate letter dated August 5, 2004.

To the Board of Education
Haslett Public Schools

August 5, 2004

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer, Costenaro & Ellis, P.C.

Certified Public Accountants



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Haslett Public Schools
Haslett, Michigan

August 5, 2004

Compliance

We have audited the compliance of Haslett Public Schools with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Haslett Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of Haslett Public Schools' management. Our responsibility is to express an opinion on Haslett Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Haslett Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Haslett Public Schools' compliance with those requirements.

In our opinion, Haslett Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

August 5, 2004

Internal Control Over Compliance

The management of Haslett Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Haslett Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Haslett Public Schools as of and for the year ended June 30, 2004, and have issued our report thereon dated August 5, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mamer, Costeniser & Ellis, P.C.".

Certified Public Accountants

HASLETT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2003	Prior years expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2004
U.S. Department of Agriculture:								
Passed through the Michigan Department of Education:								
Child Nutrition Cluster:								
NSL - breakfast	10.553	031970 041970	\$ 13,020	\$ 615	\$ 11,582	\$ 2,053	\$ 1,438	\$
			10,285			10,285	10,285	
			23,305	615	11,582	12,338	11,723	
National School Lunch	10.555	031950	44,481	1,944	39,033	7,392	5,448	
		041950	36,655			36,619	36,655	36
		031960	69,641	2,983	61,607	10,856	7,873	
		041960	60,742			60,552	60,742	190
			211,519	4,927	100,640	115,419	110,718	226
Total Child Nutrition Cluster			234,824	5,542	112,222	127,757	122,441	226
Commodities: Food Distribution								
Entitlement	10.550		36,327			36,327	36,327	
Bonus			4,351			4,351	4,351	
			40,678			40,678	40,678	
Total U.S. Department of Agriculture			275,502	5,542	112,222	168,435	163,119	226

The accompanying notes are an integral part of this schedule.

HASLETT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2003	Prior years expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2004
U.S. Department of Education:								
Passed through the Michigan Department of Education :								
Title I	84.010	021530/0203	8,483	8,483	8,483	8,483		
		031530/0203	107,767	10,469	102,040	16,196	5,727	
		031530/0304	51,165				51,165	51,165
		041530/0304	234,408			98,192	221,107	122,915
			<u>401,823</u>	<u>18,952</u>	<u>110,523</u>	<u>122,871</u>	<u>277,999</u>	<u>174,080</u>
Title V	84.298	020250/0203	142	142	142	142		
		030250/0203	2,345	2,074	2,345	2,074		
		040250/0304	2,348			2,348	2,348	
			<u>4,835</u>	<u>2,216</u>	<u>2,487</u>	<u>4,564</u>	<u>2,348</u>	
A.B.E. Section 306	84.002	041130/410164	120,002			120,002	120,002	
		021120/2003500052	18,414	9,204	15,437	9,204		
		031140/310163	1,547	1,547	1,547	1,547		
		041120/4500053	37,834			21,275	37,834	16,559
		041140/420052	5,000			384	5,000	4,616
			<u>182,797</u>	<u>10,751</u>	<u>16,984</u>	<u>152,412</u>	<u>162,836</u>	<u>21,175</u>

The accompanying notes are an integral part of this schedule.

HASLETT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2003	Prior years expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2004
U.S. Department of Education (Continued):								
Passed through the Michigan Department of Education (Concluded):								
Eisenhower Grant	84.281	020270/0203	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	\$ -	\$ -
Title II Part D	84.318	032490/0203	4,586	4,586	4,586	4,586		
		044290/0304	5,700			4,976	4,976	
			10,286	4,586	4,586	9,562	4,976	
Improving Teacher Quality	84.367	030520/0203	78,170	31,300	78,170	31,300		
		040520/0304	85,789			44,548	71,760	27,212
			163,959	31,300	78,170	75,848	71,760	27,212
Title III	84.365	030570/0203	13,107	13,107	13,107	13,107		
Reading First Grant	84.357	032920/020302	79,765			79,765	79,765	
Total passed through Michigan Department of Education			858,672	83,012	227,957	460,229	599,684	222,467

The accompanying notes are an integral part of this schedule.

HASLETT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2003	Prior years expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2004
U.S. Department of Education (Concluded):								
Passed through Ingham Intermediate School District:								
Special Education Transitions	84.027	030490-24TS	\$ 2,000	\$ 1,715	\$ 1,715	\$ 1,715	\$	\$
Individuals with Disabilities Education Act	84.173	030460/0203 040460/0304	14,778	14,778	14,778	14,778		
			16,433				16,433	16,433
			31,211	14,778	14,778	14,778	16,433	16,433
Total passed through Ingham Intermediate School District			33,211	16,493	16,493	16,493	16,433	16,433
Total U.S. Department of Education			891,883	99,505	244,450	476,722	616,117	238,900
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,167,385	\$ 105,047	\$ 356,672	\$ 645,157	\$ 779,236	\$ 239,126

The accompanying notes are an integral part of this schedule.

HASLETT PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Haslett Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. CFDA # 84.010 was audited as the major program, representing 36% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 616,117
Special revenue fund	<u>163,119</u>
Subtotal	<u><u>\$ 779,236</u></u>

**HASLETT PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

• Material weakness(es) identified: _____ Yes X No

• Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified: _____ Yes X No

• Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I

Dollar threshold used to distinguish between type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**HASLETT PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2004**

There were no audit findings in the prior year.



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raack
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

August 5, 2004

To the Board of Education
Haslett Public Schools
Haslett, Michigan

In planning and performing our audit of the financial statements of Haslett Public Schools for the year ended June 30, 2004, we considered the Company's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 5, 2004, on the financial statements of Haslett Public Schools.

Government Accounting Standards Board (GASB) Statement #40 "Deposit and Investment Risk Disclosures"

Effective June 30, 2005, governmental entities will be required to expand their current disclosure requirements addressing common risks of the deposits and investments. The disclosure requirements apply to debt and an equity investment held directly by the entity or indirectly by investment advisors and requires that a governmental entity disclose investment policies that are related to custodial credit risk, custodial risk, concentration of credit risk, interest rate risk, and foreign currency risk. If the entity has adopted no policy with respect to a particular risk, that fact should be part of the disclosure.

The District should review its investment policies to determine all common risks areas are identified and the appropriate level of risk of each area is quantified.

Financial Information Database (FID) Filing

The Center for Educational Performance and Information (CEPI) is preparing for the implementation of a new upload application/database for financial reporting for school districts in Michigan. This new application/database is called the Financial Information Database (FID). This submission is due November 15, 2004. The EDN/Form B submission process has been eliminated and is no longer available. We strongly recommend your filing be done earlier this year to ensure all changes have been accepted. The penalty for late filing is withholding of your state aid by the state of Michigan.

Changes in Sinking fund Approval

The Michigan Department of Treasury will no longer be pre-approving sinking fund expenditures. Expenditures which are not clearly allowed should be discussed with your legal counsel to determine compliance with state law.

Segregate Bank Reconciliation Duties

We noted during our audit the person who receives the unopened bank statement also prepares the bank reconciliation. We recommend someone other than the business office supervisor, who prepares the bank reconciliation, open the bank statement and scan canceled checks and other transactions for any unusual or improper items and account for the numerical sequence of checks.

To the Board of Education
Haslett Public Schools
Haslett, Michigan

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August 5, 2004

Employee Dishonesty Insurance Coverage

Currently the District's coverage is \$50,000. We recommend the coverage be reviewed and increased to at least \$250,000.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various School personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Haslett Public Schools, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mamie Costenaro, E. Ellis, P.C.



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August 5, 2004

To the Board of Education
Haslett Public Schools
Haslett, Michigan

We have audited the financial statements of Haslett Public Schools for the year ended June 30, 2004, and have issued our report thereon dated August 5, 2004. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated June 15, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Haslett Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Haslett Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Haslett Public School's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Statement" applicable to each of its major federal programs for the purpose of expressing an opinion on Haslett Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Haslett Public School's compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Haslett Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2004. We noted no transactions entered into by Haslett Public School during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements were:

Management's estimate of the liability of the payout for employee compensated absences upon their retirement is based on expected payout; the balance reported was approximately \$900,000. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain fixed assets were originally recorded using an external appraisers estimates. Certain allocations on the statement of activities are based on estimates.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Haslett Public School's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Haslett Public School, either individually or in the aggregate, indicate matters that could have a significant effect on the Haslett Public School's financial reporting process.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Haslett Public School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Haslett Public School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Board of Education, management, and federal awarding agencies and pass through entities of Haslett Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Mamer, Costeniser & Ellis, P.C." in a cursive script.